



Report to the Legislature

***Professional Services
Supplemental Payment Program***

ESSB 6444, Section 209(17)

June 2010

***Department of Social & Health Services
Medicaid Purchasing Administration
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Overview & Summary

This report outlines the process necessary to implement a professional services supplemental payment program. The report arises from instructions from the 2009-2011 legislatures.

ESSB 6444 Section 209 (17):The department shall seek a medicaid state plan amendment to create a professional services supplemental payment program for University of Washington medicine professional providers no later than July 1, 2009. The department shall apply federal rules for identifying the shortfall between current fee-for-service medicaid payments to participating providers and the applicable federal upper payment limit. Participating providers shall be solely responsible for providing the local funds required to obtain federal matching funds. Any incremental costs incurred by the department in the development, implementation, and maintenance of this program will be the responsibility of the participating providers. Participating providers will retain the full amount of supplemental payments provided under this program, net of any potential costs for any related audits or litigation brought against the state. The department shall report to the governor and the legislative fiscal committees on the prospects for expansion of the program to other qualifying providers as soon as feasibility is determined but no later than December 31, 2009. The report will outline estimated impacts on the participating providers, the procedures necessary to comply with federal guidelines, and the administrative resource requirements necessary to implement the program. The department will create a process for expansion of the program to other qualifying providers as soon as it is determined feasible by both the department and providers but no later than June 30, 2010.

The payments made under the supplemental payment program will be based upon the gap between the average commercial payment rate (ACR) and the Medicaid rate. Payments will be made via intergovernmental transfers (IGT).

Public notice was filed on May 20, 2009 and a State Plan Amendment (SPA) was filed on July 29, 2009 to create a professional services supplemental payment program. This SPA was approved on April 7, 2010 and allows payments under this program to begin effective July 1, 2009.

Navigant Consulting, Inc. was hired by University of Washington (UW) to perform the initial payment gap analysis and will continue to provide this service to other interested hospitals. Initial interest in the program was solicited from other eligible providers through the Washington State Hospital Association (WSHA). Valley Medical Center – Renton and Olympic Medical Center were included in the final SPA submission to CMS and are included in the program with University of Washington beginning July 1, 2009.

These providers satisfied CMS' requirements for participation in the program. All are government entities and the funds they will be using for this program are eligible for use as an intergovernmental transfer. Each facility provided commercial payer information for use in calculating the average commercial rate. Navigant completed the calculation of that average commercial rate. This rate must be updated annually.

The Department needs 1.3 employees (FTEs) to staff this program along with consultant fees which will be funded from participating providers. These were included in the 2010 budget. The Department will be required to perform/update the average commercial rate for each participating provider on an annual basis while payments to participating providers will be made quarterly.

Program Expansion

Qualified licensed professionals who are eligible to receive payment for professional services under the State's approved Medicaid program may participate in this program. These qualified licensed professionals must be:

1. Licensed by the State of Washington, where applicable;
2. Enrolled as a State of Washington Medicaid provider; and
3. Either:
 - a. Employed by the University of Washington and/or a member of its affiliated physician practice plans; or
 - b. Employed by a public hospital or other public entity, when the public entity elects to participate.

To elect to participate in the program, the provider must indicate interest in the program by contacting the Medicaid Purchasing Administration as listed below and:

- Qualify as a unit of government as defined by [42 CFR 433.50](#).
- Employ qualified licensed professionals who provide professional services covered by Washington's approved State Plan.
- Fund the State share of the payment:
 - Through IGT; and,
 - With funds that qualify as the State share under [42 CFR 433.51](#).
- Demonstrate the source of the IGT funds.
- Provide the Department with information detailing the source of the State share of the payment.
- Work with the Department to develop the hospital-specific average commercial rate.

Governmentally owned and operated providers electing to participate in this program should contact:

Director,
Division of Rates and Finance
Medicaid Purchasing Administration
PO Box 45500
Olympia, WA 98504

Glossary of Terms

American Recovery and Reinvestment Act of 2009 (ARRA) – Economic stimulus package enacted by the 111th United States Congress. One provision of the ARRA allows for increased FMAP for certain Medicaid payments.

Average Commercial Rate (ACR): The ACR is determined as follows:

- a. **Compute Average Commercial Fee Schedule:** For the most recently completed state fiscal year, compute the average commercial allowed amount per procedure code, including patient share amounts, for all commercial third party payers with negotiated fee schedules.
- b. **Calculate the Average Commercial Payment Ceiling:** For each quarter of the current state fiscal year, multiply the Average Commercial Fee Schedule as determined in a. above by the number of times each procedure code was paid to qualified licensed professionals on behalf of Medicaid beneficiaries as reported from the Medicaid Management Information System (MMIS). The sum of the product for all procedure codes subject to enhanced payment represents the Average Commercial Payment Ceiling.

Centers for Medicare and Medicaid Services (CMS) - Previously known as the Health Care Financing Administration (HCFA). CMS is a federal agency within the United States Department of Health and Human Services (DHHS) that administers the Medicare program and works in partnership with state governments to administer Medicaid, the State Children's Health Insurance Program (SCHIP), and health insurance portability standards.

Federal Medical Assistance Participation (FMAP) – The percentage of federal matching funds allocated annually to eligible social and medical programs. For example, in FFY 2007 the FMAP was 50%. So, for every dollar Washington spent on eligible programs, the federal government contributed a dollar.

Intergovernmental Transfer (IGT) – Public funds transferred from other public agencies.

Navigant Consulting, Inc. – Contractor providing calculation and analysis of the average commercial payment rate and the upper payment limit gap.

State plan - The plan filed by DSHS with the Centers for Medicare and Medicaid Service (CMS), Department of Health and Human Services (DHHS), outlining how the State will administer Medicaid and State Children's Health Insurance Program (SCHIP) services, including the hospital program.